

Local Privilege License Taxes

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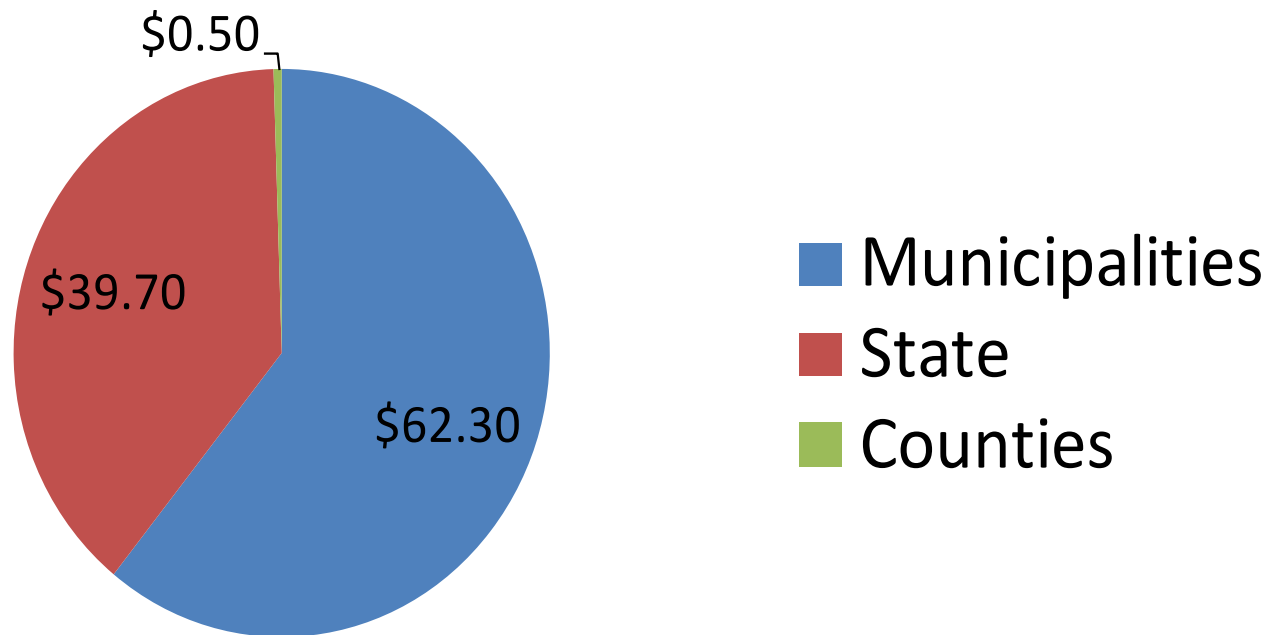
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Privilege License Taxes

- A tax on the **privilege** of doing business within a jurisdiction
- Not a **property** tax or an **income** tax
- Not a **regulatory** scheme

PLT Collections 2009-10

(\$ millions)



Total: \$102.5 million

State Privilege License Taxes

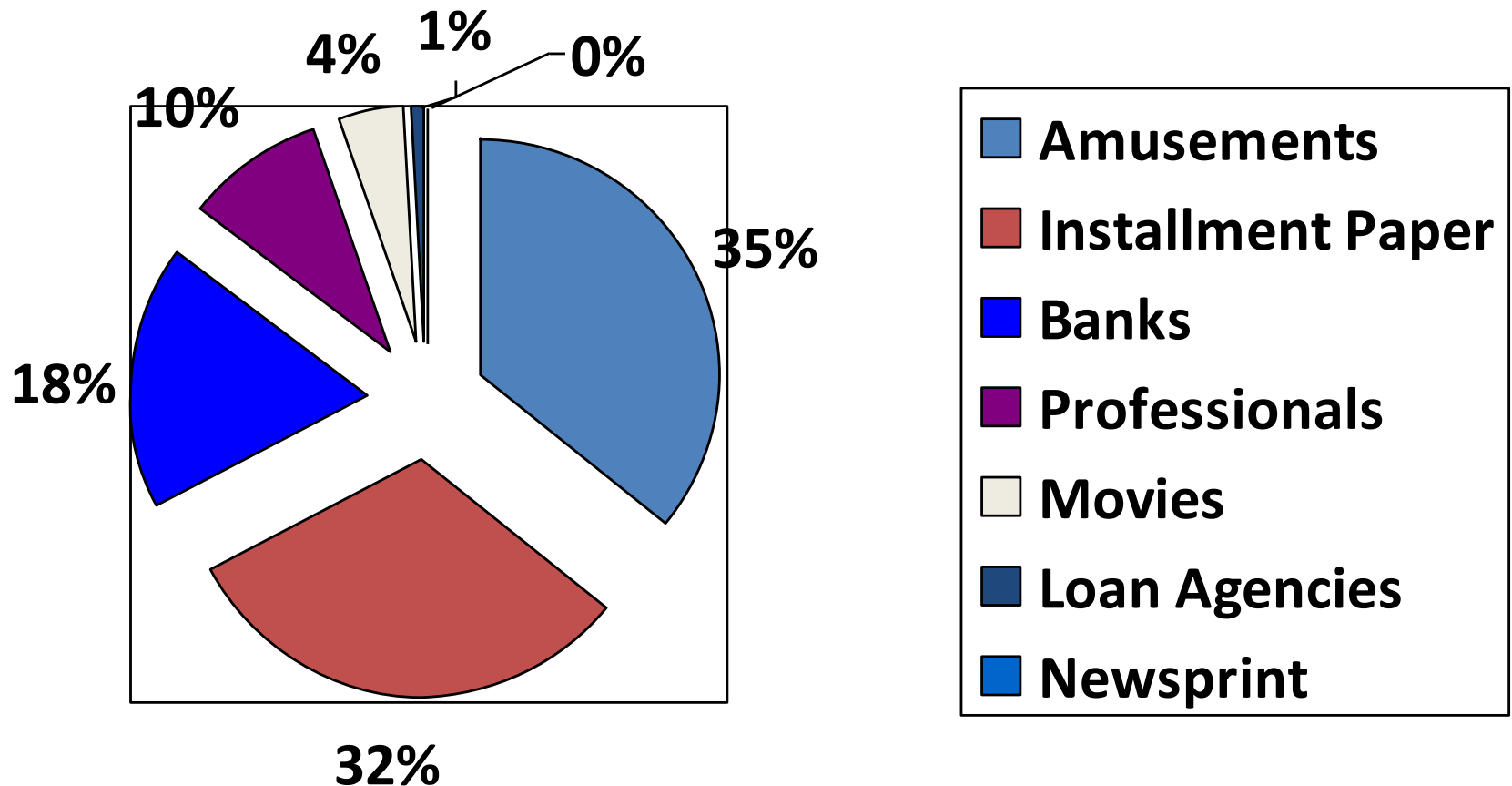
- All but 7 state PLTs were repealed in 1997

Current State PLTs

Amusements	3%
Motion Picture Shows	1%
Professionals	\$50
Installment Paper Dealers	.277% of face value of obligations/quarter
Loan agencies, check cashers, pawnbrokers	\$250 per location
Banks	\$30 for each \$1 million in assets
Newsprint publishers	\$15 on each ton that fails to meet the applicable content percentage

State PLT Collections 2010-11

\$41,800,000



Local PLT's Since 1997

- **Municipalities**

- **Broad authority** to levy PLT's on all businesses except as limited by 30 repealed Schedule B provisions
- §160A-211



Local PLT's Since 1997

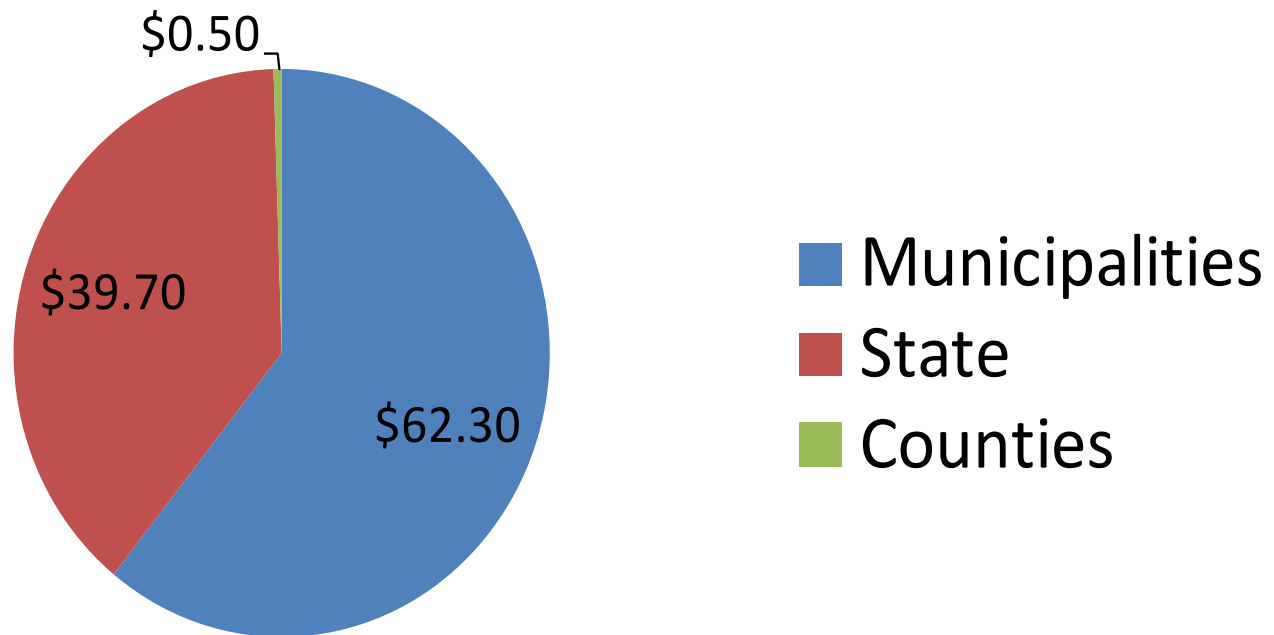
- **Counties**

- **Limited authority** to levy PLT'S on certain businesses except as permitted by 11 repealed Schedule B provisions
- §153A-152



PLT Collections 2009-10

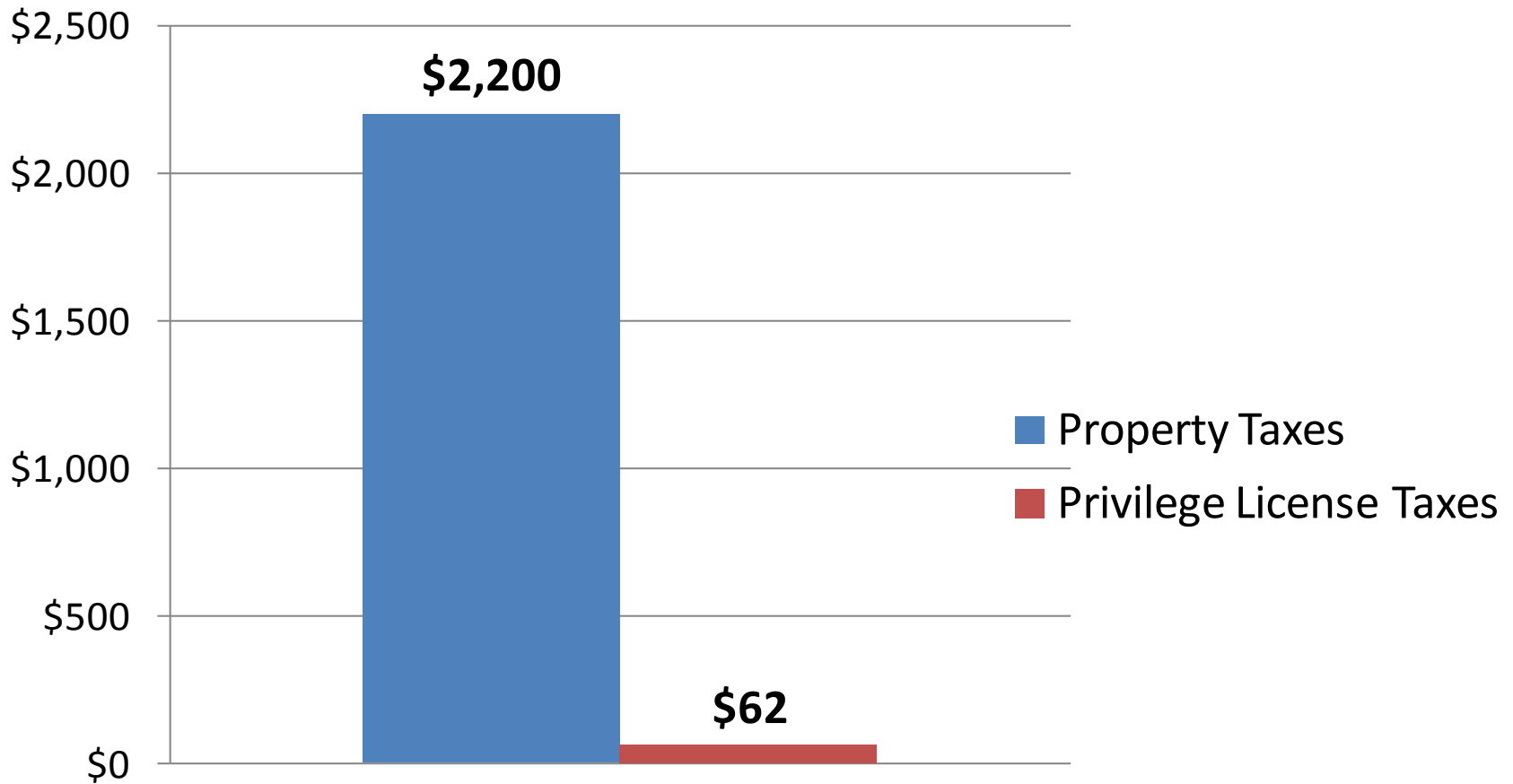
(\$ millions)



Total: \$102.5 million

Municipal PLTs v. Property Taxes

(\$ millions, 2009-10)



300 Cities Levy PLTs

- \$62.3 million collected in 2009-10
- More than $\frac{1}{2}$ collect $< \$10,000$
- 40 collect $> \$100,00$
- 20 collect $> \$500,000$

Significant Revenue Source For Some Cities

- Charlotte: \$24.7 million
- Raleigh: \$7.2 million
- Greensboro: \$3.1 million
- Durham: \$2.7 million

- High Point: \$2.3 million
- Lumberton: \$1.2 million
- Hickory: \$1.1 million

Local Privilege License Taxes In North Carolina

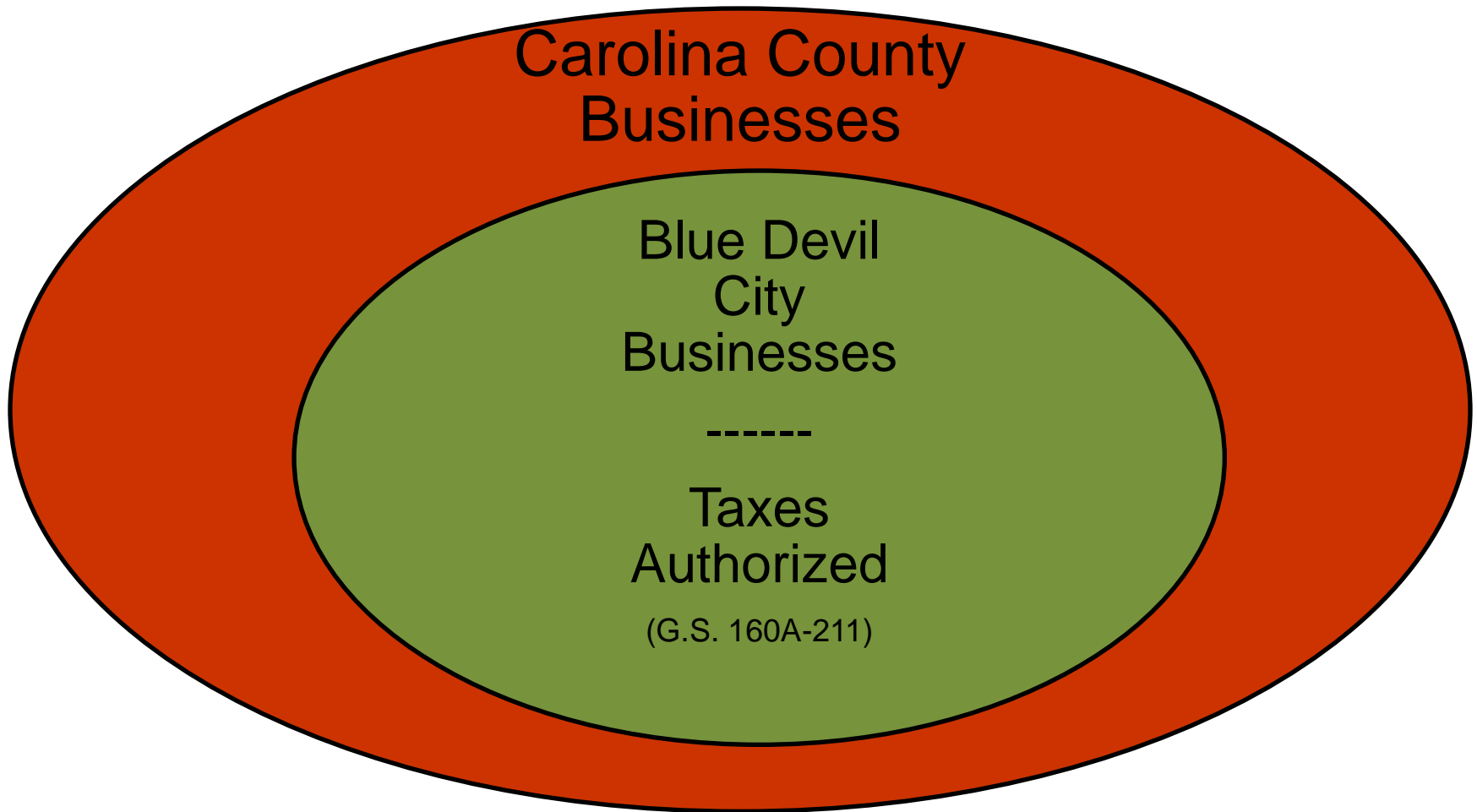
Carolina County
Businesses

General Rule:

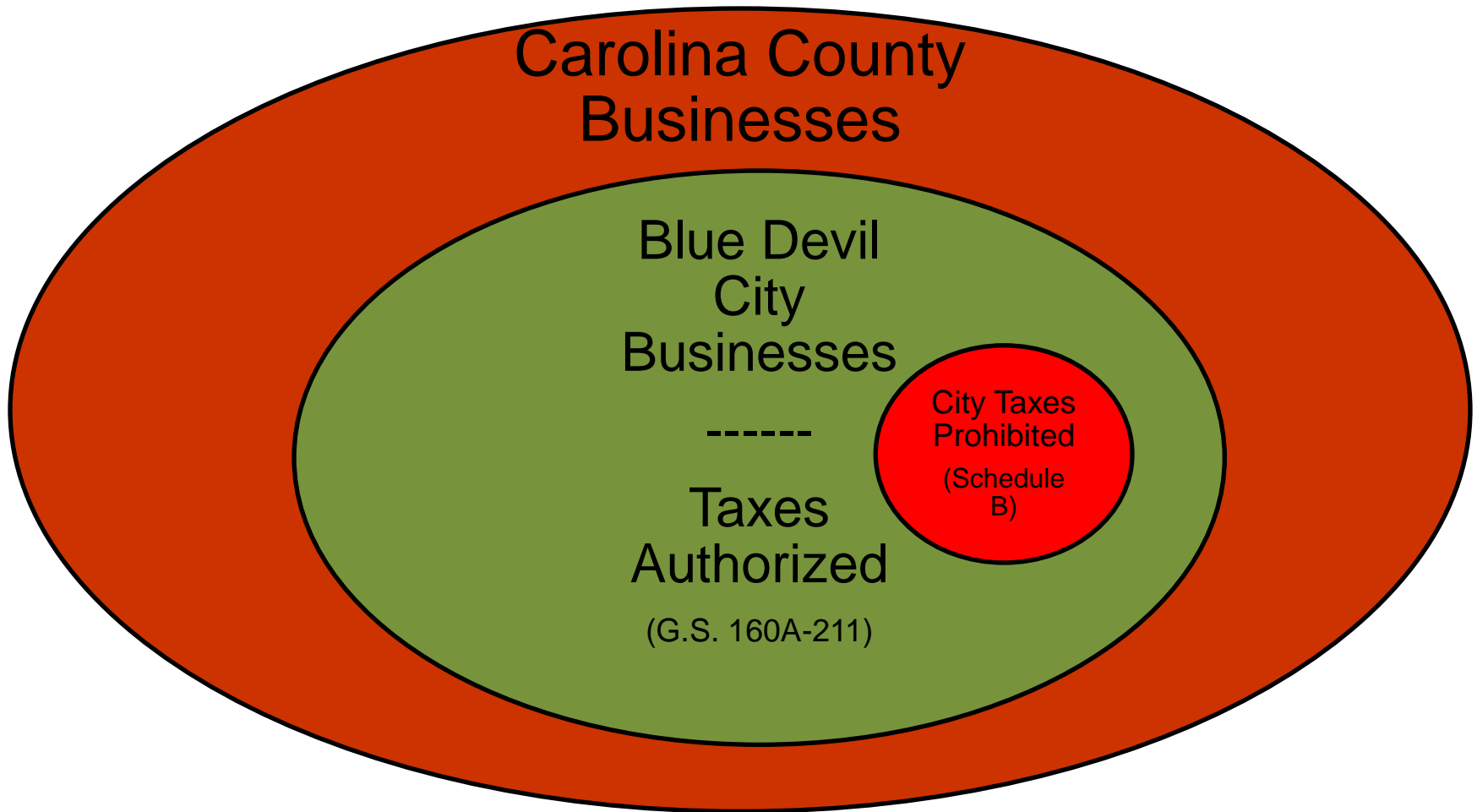
No Privilege
Taxes Without
Specific
Authorization

G.S. 153A-152

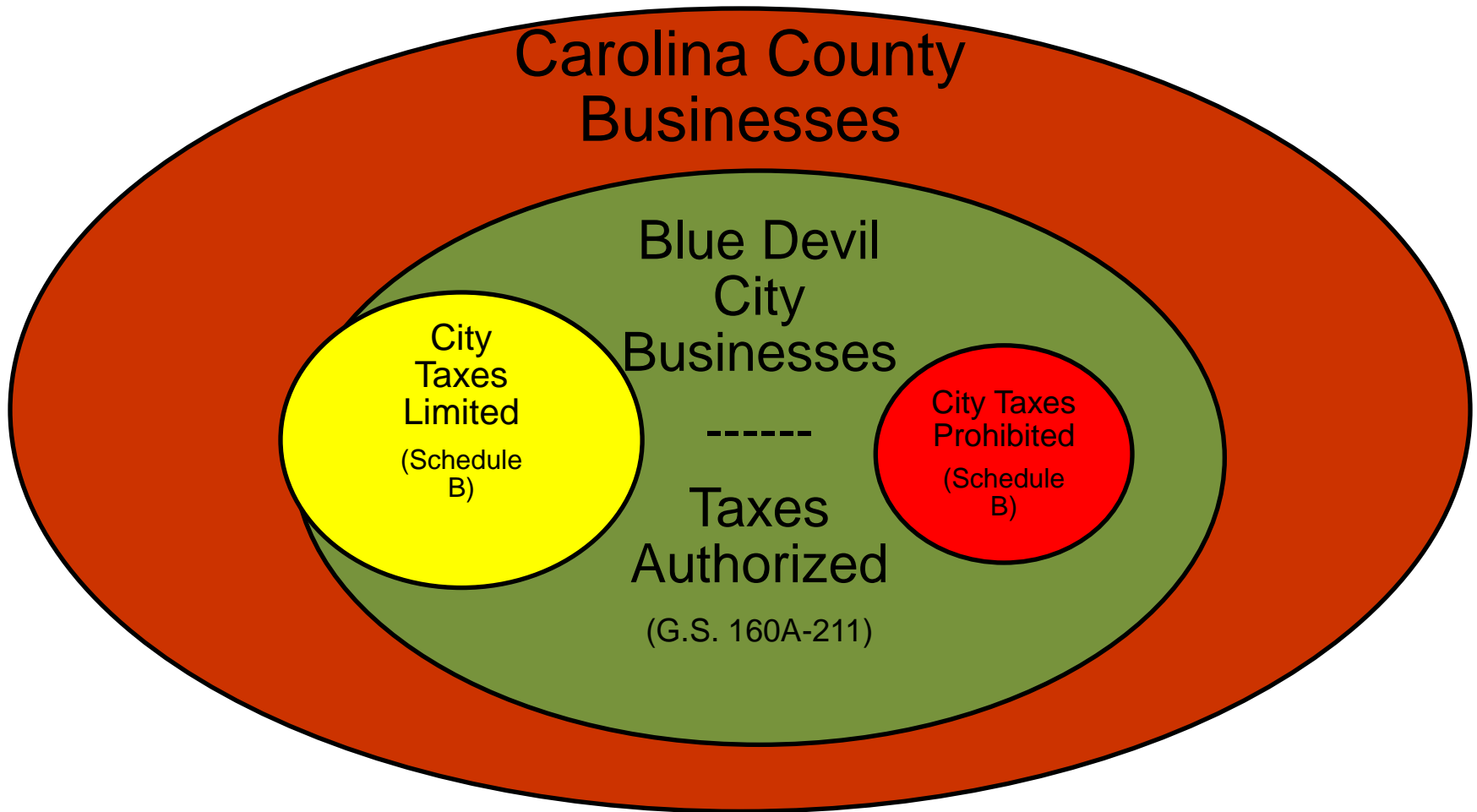
Local Privilege License Taxes In North Carolina



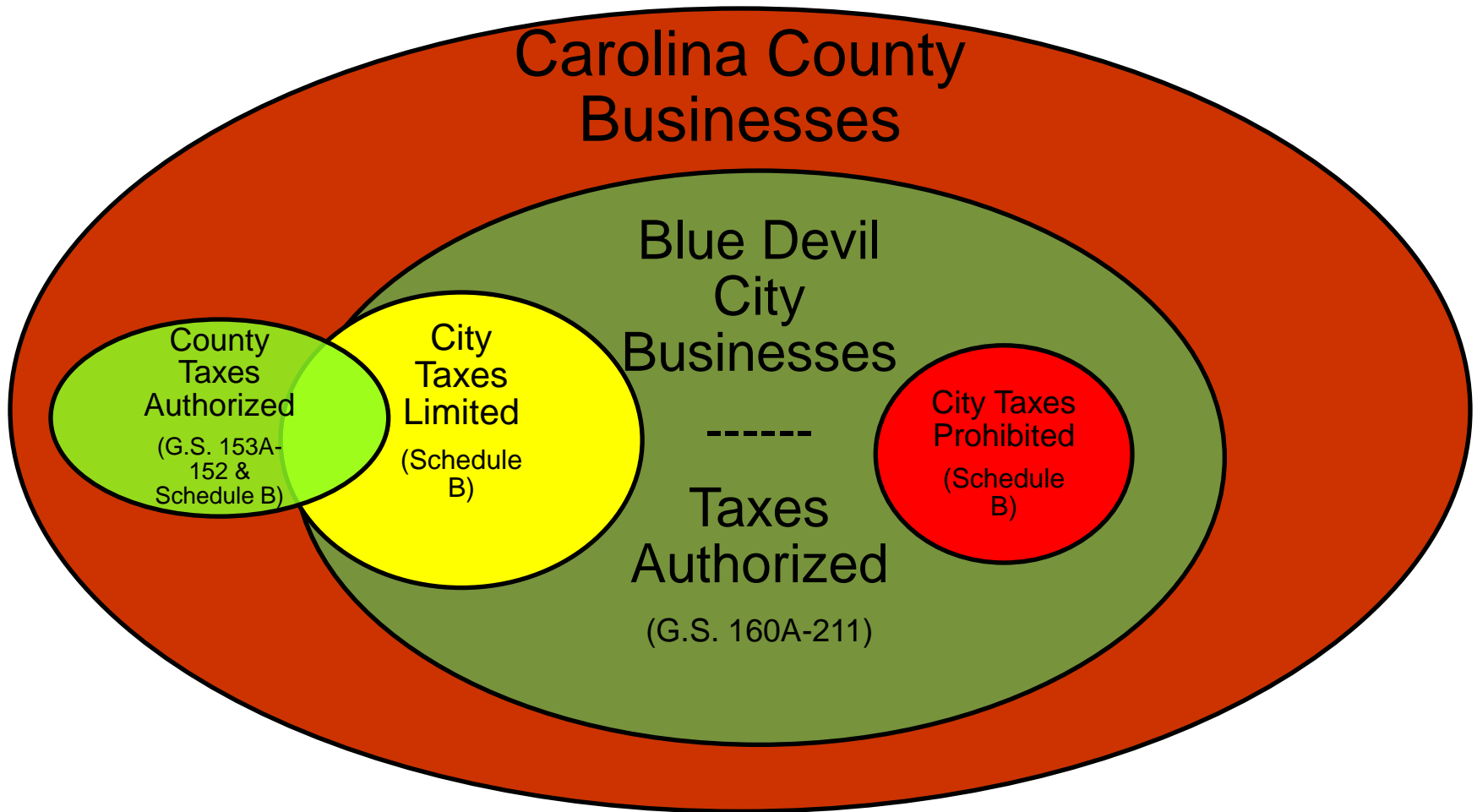
Local Privilege License Taxes In North Carolina



Local Privilege License Taxes In North Carolina



Local Privilege License Taxes In North Carolina



The Key Question

- For Counties:
“Is there a statute that authorizes us to tax this business?”
- For Cities:
“Is there a statute that restricts us from taxing this business?”

“Schedule B”

- Nickname for collection of privilege license tax limitations and exemptions
- 30 **repealed** statutes still control
 - No text available!

“Schedule B”

- Sprinkler Systems: \$100
- Gas Stations: \$12.50
- Building Contractors: \$10
- Attorneys & Doctors: No local PLTs

Oddities from Schedule B

- Seasonal Christmas tree sales:
\$100 max
- Seasonal Christmas tree sales by grower:
unlimited

Oddities from Schedule B

- Selling Computers: **NO city PLT**
- Repairing Computers: **Unlimited**

Oddities from Schedule B

- Vending Machines (< 5): \$5 max
- Vending Machines (≥ 5): NO city PLT
- Vending Machines (≥ 5 at one location): Unlimited
- Vending Machines (milk): Unlimited
- Vending Machines (juice, ≥ 5): Unlimited

Oddities from Schedule B

- Selling/Repairing Record Players: **NO city PLT**
- Selling/Repairing DVD/CD Players: **Unlimited**

City PLT Options

- Schedule B businesses:
 - Flat rate up to statutory maximum
- All other businesses:
 - Flat rate
 - Gross Receipts
 - Any other reasonable method (*# of employees*)

Gross Receipts

- No statutory guidance on how to calculate
- Apportionment problems with businesses operating in multiple cities
- Example: Landscaper
 - HQ in Durham
 - Clients in 5 different cities
 - What are the gross receipts for Durham PLTs?

Sample City PLT Provisions For Retailers

- **Gross Receipts**
 - Durham:
 - \$50 up to \$15,000, then 50¢ per \$1,000
 - No maximum tax
 - Charlotte:
 - 60¢ per \$1,000
 - \$10,000 max tax
- **Flat Fee**
 - Dunn: \$30 per retailer

How to Tax **Target?**

- Bicycles (\$25 max)
- DVDs (\$25)
- Computers, calculators (No tax)
- Ice Cream (\$2.50 max)
- Motor Oil/Auto Accessories (\$12.50 max)
- Restaurant (\$42.50)
- Barber Shop/Beauty Salon (\$2.50 per stylist)
- Vending Machines (????)
- Chain Store (\$50)
- Plus . . **Gross Receipts on all other sales**



How to Tax **Target**?

- SuperTarget store with \$50M receipts
 - Durham: \$25,000
 - Charlotte: \$10,000
 - Dunn: \$400

